

BEFORE THE IDAHO BOARD OF TAX APPEALS

IN THE MATTER OF THE APPEAL OF BRUCE)	APPEAL NO. 13-A-1057
AND HEATHER PEDERSON from a decision of)	
the Bonner County Board of Equalization for tax)	FINAL DECISION
year 2013.)	AND ORDER

RESIDENTIAL PROPERTY APPEAL

THIS MATTER came on for hearing October 17, 2013, in Sandpoint, Idaho before Hearing Officer Travis VanLith. Board Members David Kinghorn, Linda Pike and Leland Heinrich participated in this decision. Appellant Heather Pederson appeared at hearing. Assessor Jerry Clemons, Chief Deputy Appraiser Ken Bocksch, and Appraisers Holli Hodge and Sue Brooks appeared for Respondent Bonner County. This appeal is taken from a decision of the Bonner County Board of Equalization denying the protest of valuation for taxing purposes of property described by Parcel No. RPD00000216053A.

The issue on appeal is the market value of an improved residential parcel.

The decision of the Bonner County Board of Equalization is affirmed.

FINDINGS OF FACT

The subject property's assessed land value is \$87,451, and the improvements' valuation is \$1,485,230, totaling \$1,572,681. Appellants request the total value be reduced to \$1,100,000.

The subject property totals 19.452 acres, of which 17.452 acres were valued at \$2,451, as timber land. The remaining two (2) acres were classified as homesite and assessed under the market value standard. The homesite residence is a custom timber frame home totaling 8,889 square feet. Appellant claimed the residence was 8,300 square feet, which figure came from the building plans. The property is further improved with

several outbuildings and concrete pads. Though not waterfront, subject is situated in Sandpoint, Idaho, near Pend Oreille Lake and the Pend Oreille River.

Appellants characterized the current real estate market as trending downward. In front of this backdrop, Appellants questioned why subject's value increased by roughly \$200,000 for 2012 and an additional \$100,000 for the current 2013 tax year. According to Appellants, there have been no major changes to subject to cause the large increases in assessed value.

Appellants noted subject was unique and therefore there were not any true comparable sales available. Appellants were able to find only two (2) residential sales in excess of \$1,000,000 in subject's area. The other sale in subject's immediate neighborhood was a foreclosure sale for \$160,000. Physical characteristics of the sale properties were not provided.

Respondent explained there were three (3) main causes for subject's value increase. The first resulted from Respondent's physical inspection of subject for the current tax year. Respondent observed a couple outbuildings and some concrete pads not previously included in subject's property record and prior assessments. The combined assessed value of these improvements was approximately \$25,000.

The second change affecting subject's assessment concerned an error in the land component. In addition to subject, Appellants also own an adjacent 8.478 acre parcel. Subject and the adjacent parcel are part of the same timber plan filed with the county in 2006. According to the plan, subject was to have two (2) homesite acres and the adjacent

parcel was to have one (1). After making the correction, there was a decrease in the assessed homesite value of the adjacent parcel and an increase in subject's land value of approximately \$30,000.

The third reason behind subject's assessed value increase again concerned an error in Respondent's system. Values attributed to improvements in subject's area had been held below market value levels for several years. Removing the restriction and assessing affected parcels to full market value, caused improvement values to increase, including subject's.

Respondent presented information on four (4) improved residential sales to support subject's assessed value. The sale's residences were similar to subject in terms of construction grade. Sale prices were between \$1,200,000 and \$2,685,000. After removing land values, Respondent calculated residual improvement prices between \$1,054,725 and \$1,455,665 for residences between 4,673 and 5,620 square feet in size.

Appellants noted a couple of the County's sales involved waterfront parcels and that one (1) sale was potentially commercial in nature. Respondent argued the value of the structure is the same regardless of where it is located. It was further contended any value attributable to location would be fully reflected in the land value extracted from the sale price. What remained was a fair comparison between subject's residence and the sale residences, which Respondent remarked was an acceptable mass appraisal methodology.

CONCLUSIONS OF LAW

This Board's goal in its hearings is the acquisition of sufficient, accurate evidence

to support a determination of fair market value, or as applicable exempt status. This Board, giving full opportunity for all arguments and having considered all testimony and documentary evidence submitted by the parties in support of their respective positions, hereby enters the following.

Appellants referenced subject's assessed value increase for 2012 and 2013. The 2012 increase was roughly \$200,000 and the current increase was approximately \$100,000. The Board understands Appellants' concerns regarding two (2) consecutive years of value increases. However our review here, is limited to the correctness of the current 2013 assessment. The Board is unaware of any legal authority which would allow us to review subject's 2012 assessment where there was no timely appeal made from a 2012 Board of Equalization decision to this Board. Therefore, our decision is narrowly focused on subject's 2013 homesite assessment.

Appellants viewed subject's real estate market as declining and in distress. As such, Appellants questioned the assessment increase for 2013. Respondent explained three (3) factors contributed to the increase. The first was Respondent's discovery of a few outbuildings and large concrete pads which were not previously included in subject's assessment. The outbuildings were considered ordinary and were modestly assessed, using an appropriate cost approach technique. The concrete pads were likewise valued using the cost approach.

The second cause of subject's assessed value increase was the result of an error in Respondent's computerized assessment system. Residential improvement values in

subject's area were artificially held below market price levels for several years. After correcting the "glitch", residential improvements for subject and other affected parcels were assessed at 100% of full market value.

The Board found no error with the above (2) changes made to subject's 2013 assessment. Idaho Code § 63-205 requires nonexempt property be assessed annually at full market value on January 1 of the relevant tax year. Market value is defined in Idaho Code § 63-201:

"Market value" means the amount of United States dollars or equivalent for which, in all probability, a property would exchange hands between a willing seller, under no compulsion to sell, and an informed, capable buyer, with a reasonable time allowed to consummate the sale, substantiated by a reasonable down or full cash payment.

There was nothing in the record supporting the outbuildings and other related improvements should escape assessment or have zero value. It was not apparent when the improvements were added. Respondent first discovered them for the current tax year, during regular reappraisal work. Once discovered, the improvements were properly included in the assessment.

Likewise, no support was offered for keeping in place an artificial value restriction on residential improvements in subject's area. The controlling statute above, requires all property be assessed at market value, which was Respondent's course of action in this instance. Respondent did not err in correcting this mistake.

The final factor which contributed to the value increase concerned an error related to subject's land. Subject is part of a timber plan along with an adjacent parcel also owned

by Appellants. Per the plan, subject was to have a pair of one (1) acre homesites, and the adjacent parcel was to have one (1). Due to an administrative error, which Respondent discovered for the current assessment, the homesite designations had been switched between Appellants' parcels. Correcting the error to reflect two (2) homesites on subject and one (1) on the adjacent parcel caused the land values to increase and decrease, respectively.

For similar reasons as expressed above, the Board finds no error in correcting the administrative mistake with the homesites. The timber plan clearly intended subject to have two (2) homesite acres, each of which needs to be included in subject's assessment. Respondent's actions in this regard were proper.

In addition to the downward trending market, Appellants also argued subject's assessment was overstated based on sales data. Appellants found only two (2) sales in Sandpoint in excess of \$1,000,000. Details concerning the sale properties were not offered. Details were also lacking regarding a foreclosure sale referenced by Appellants. This last sale involved an improved parcel located in subject's immediate area. The property reportedly sold for \$160,000. Respondent remarked the foreclosure property was not comparable to subject.

The Board appreciates the information shared by Appellants, however, key details were missing. Sale dates, specific sale prices, property details, and other relevant information regarding the sales referenced was not included in the record. As such, it was difficult for the Board to integrate this information into our analysis in a meaningful way.

Respondent provided information on four (4) recent sales from 2012, where each property sold in excess of \$1,000,000. With a range from 4,673 to 5,620 square feet, the sale residences were all notably smaller than subject's nearly 9,000 square feet. Respondent removed land values from the sale prices to arrive at residual improvement prices between \$1,054,725 and \$1,455,665, or from \$187.67 to \$259.11 per square foot. On a comparable basis, subject's residence was assessed at \$1,454,140, or \$163.59 per square foot.

Appellant remarked at least one (1) of Respondent's sale properties involved a waterfront parcel, and another was a commercial property. Respondent explained the sales were selected where they involved structures with a construction grade similar to subject's. Respondent stated once land values are removed from sale price, the value of the improvements is isolated, and that there would be no difference in value regardless of location.

While the Board does not necessarily agree with Respondent's position regarding locational influences, the sales nonetheless do offer reasonable support for the value placed on subject's residence. The sale residences were notably smaller than subject's, which is an important factor. It appears, however, this consideration was included because subject's residence was assessed lower per square foot than any of the sales. Economies of scale suggest a larger residence typically sells for less per square foot than a smaller residence, all else being equal. Respondent recognized this in subject's valuation. If Respondent were to use the higher per square foot rate indicated by the sales, subject's

value would be dramatically higher. As it stands, the value of subject's residence is in line with the sales provided.

Appellants also questioned the home's square footage reflected in the County's records. According to Appellants, subject is 8,300 square feet, not 8,889 square feet as reported by the county. Appellants indicated the lower square foot figure was taken from subject's building plans, but the plans and calculations were not offered at hearing. Appellants were unsure if the lower size number reflected interior or exterior measurements. Respondent noted all improvements are measured using the exterior dimensions, which measurements can vary as much as 5% or more from the interior ones.

At nearly 600 square feet, the size disparity between the parties could impact the valuation question. The problem, however, is Appellants brought nothing to show Respondent's measurement was incorrect. Also, Appellants were uncertain if the blueprint measurements were taken from the inside or outside. On this issue, there was not enough reliable evidence to alter Respondent's size conclusion.

Idaho Code § 63-511 places the burden on Appellants to prove error in subject's assessed value by a preponderance of the evidence. Given the record here, that burden was not satisfied. The increase to subject's 2013 assessment was explained, and the offered sales information was found to adequately support the updated assessment.

Having found no error in subject's assessed value, the decision of the Bonner County Board of Equalization is affirmed.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Bonner County Board of Equalization concerning the subject parcel be, and the same hereby is, AFFIRMED.

DATED this 7th day of January, 2014.